

**GOVERNOR'S ENERGY POLICY TASK FORCE
MEETING MINUTES**

NOVEMBER 1, 2000

**IOWA UTILITIES BOARD HEARING ROOM
350 MAPLE STREET
DES MOINES, IOWA**

MEETING MINUTES

This Governor's Energy Policy Task Force meeting was called to order by Co-Chair David Hurd at 1:00 p.m. on Wednesday, November 1, 2000, at the Iowa Utilities Board, 350 Maple Street, Des Moines, Iowa.

MEMBERS PRESENT	MEMBERS ABSENT
David Hurd	
Lee Clancey	
Kent McLaughlin	
George VanDamme	
Joyce Mercier	
Brenda Dryer	
Howard Shapiro	
Lana Ross	
Don Wiley	
Kevin Eekhoff	
Eric Fisher for Sandy Opstvedt	
Lisa Davis-Cook	
John Sellers	
Roger Amhof	

David Hurd:

In your folders are the draft minutes of the October 19 meeting. Sharon Tahtinen requests you respond to her by close of business on November 8 if you have any changes. Final minutes will then be sent via e-mail to all Task Force members and interested parties.

Monica Stone:

You all received a spreadsheet in your October 19, 2000 agenda packet. I just want to call your attention to the numbers attributed to Iowa. Those numbers were related to legislation pending last year. Those numbers do not actually represent the current situation in Iowa. We have given you a new sheet that more accurately reflects the situation in Iowa now. Please discard the previous spreadsheet and use this new one for reference. (*Spreadsheet of public benefits programs for states with electric utility restructuring distributed.*)

ITEM 1: DISCUSSION ON RECOMMENDATIONS TO 2001 LEGISLATURE

David Hurd:

The first topic on the agenda today is to think about what recommendations we would like to make to the 2001 Legislature. I think we need to discuss these different possibilities and see which ones attract our attention. I'll start with a few that were brought up at the last meeting.

The first one is the low-income weatherization program. There are 2,000 low-income houses being weatherized currently resulting in a \$200-300 per year reduction in utility bills for those families. It is also decreasing energy use and having a modest impact on the energy efficiency here in the state of Iowa. There are a huge number of homes which are eligible for this kind of assistance and are not getting it. We also heard a great deal about the burdens that low-income families have with regard to the high proportion of income that goes to cover electric and heating bills, and that there is only one

federal program that is being used to address it. There is a difference between taking actions that reduce the amount of energy and the helping of low-income individuals pay their electric and utility bills.

Another recommendation is in regard to the state-owned buildings. Many of these buildings are old and the control systems are not modern. Here is a place where capital investment funds could be used to sharply reduce energy use, cut costs, which would be of benefit to taxpayers. This would have a very high return of capital investment. Then we heard examples of what is occurring in Iowa relative to other states. I was certainly shocked by the data on Iowa's energy efficiency; what it takes in energy to produce X dollars of gross state product in comparison to other states that are relatively similar to us. Talking in figures and terms of states in this region, and on a national average, Iowa is one of the worst and is getting worse. This leads us to put on the list funding needed in order to find out why energy intensity is high in Iowa, to see if we could learn something that would be useful in order to reverse this situation. One would fear for Iowa's competitiveness in the years ahead. Clearly, I am not at the point at having reached any conclusions. I am just thinking out loud about what is going through my mind while I am looking at this list. Would others of you like to comment or discuss any items that should receive our attention?

George VanDamme:

Regarding low-income and weatherization programs I would like to point out that the state will be getting a windfall from the sales tax on energy. Natural gas prices will be approximately 60% higher this year compared to last year. I would doubt if anyone preparing last year's budget would have anticipated gas prices doubling in May. Some of that extra tax revenue could be diverted to help the needy. We probably need to talk to both the Department of Revenue and the Iowa Utilities Board to find out how much that is.

I certainly don't know why Iowa's energy intensity is different. If you look at the Iowa Department of Economic numbers, Iowa's productivity improvement in the last 10 years is zero. I would assume a fair portion of gross state product is grain prices, and grain prices are half of what they were before. I would assume that would be a factor.

I think we should explore our resources within Iowa instead of spending money on an outside contract. Ask the Department of Natural Resources, Iowa Utilities Board, and Consumer Advocate Office what resources they have. The Iowa Utilities Board is a member of the National Association of Regulatory Utility Commissioners. They know what other states are doing, energy intensities of other states.

Eric Fisher:

In looking at Item 1, Example 4 regarding funding a comprehensive study of what causes Iowa's energy intensity to be higher than surrounding states on the agenda, one of the most striking aspects on the information provided was the age of Iowa's infrastructure. I differ a little bit on your opinion on doing a comprehensive reliability study. I know one was just completed by an outside agency for the state of Wisconsin. It is one of the most detailed studies I have seen. I think funding a comprehensive study similar to that is essential in making an intelligent decision as to where Iowa may go in terms of its energy future.

George VanDamme:

I believe the Iowa Energy Center and Iowa Utilities Board are in the middle of a study, costing \$70,000, which will be done in a month or two regarding energy efficiency potential here in Iowa. I would certainly be interested in hearing about that.

Howard Shapiro:

When I saw the agenda today, there seemed to be two categories for this current legislative session. One is dealing with rising costs and issues associated with that by consumers, particularly low-income consumers. There is some concern about that immediate impact. The second seems to deal with what this task force is charged to study. I know there are a lot of other studies that have been done. Until we gather this information, I don't think we can recommend what to study. If we recommend the analysis of topics that wouldn't be related to the items that we are supposed to be studying and then make recommendations about, we may not make effective early recommendations. I would be more comfortable making specific recommendations rather than studies.

David Hurd:

We were asked by the Governor's office to take a look, in addition to the four goals that are set out in the agenda, at any other legislative recommendations we would suggest.

Eric Fisher:

I think in terms of rising costs, it should be divided into gas and electricity because they are much different. The gas prices are expected to go up fairly rapidly while electricity probably won't since it is still regulated.

Joyce Mercier:

I would like to take this chance to reinforce what has been said about funding of the weatherization program. One of the goals recommended in the LIHEAP report was expansion of the program for the families here in Iowa. It was unbelievable to me that so much was being spent on energy costs by these families with so little left over for anything else. Weatherizing these homes could have more of a long-term impact. This is something I think we need to suggest immediately because these people are going to need help in the near future.

David Hurd:

One discouraging thing that Jerry McKim mentioned in his presentation on October 19 is that the weatherization program is running at a given level now, they are not able to instantly gear up to expand the program. It could take as much as two years to get enough qualified contractors and workers to carry out this program. That obviously does not argue for slowing down, when you have that much lag time. It does say that it will be very hard for us to have an immediate impact on the weatherization program.

Joyce Mercier:

But it also says that we should not put it off. That it needs done.

Lana Ross:

What I like about the weatherization program is it has an impact on both of the issues we are concerned about: helping those that need the help because it will reduce their cost, helping with efficiency in using less energy. Having that as an emphasis area is a good thing for the task force. Due to the tremendous burden that higher energy costs place on low-income families, I can see the weatherization program as an investment for the longer term and increased funding for the LIHEAP program as an investment for the short term. The funding of LIHEAP could have an immediate impact to help families. LIHEAP could help us eventually get to the place we could weatherize the number of homes we need to.

Lisa Davis-Cook:

I would like to elaborate on Item 1, Example 2, providing funding for energy efficiency and renewable energy programs. My idea takes into account some of the other examples in Item 1 as well. When we were discussing the electric utility restructuring bill last year, one thing we talked about is how within electric rates there is money for energy efficiency programs. When the first energy efficiency law was enacted in 1990, investor-owned utilities were required to spend a certain percentage of their revenue on efficiency programs. At that time they couldn't collect the money at the same time they were spending it. They had to spend it then collect it later. When the law was changed in 1995, they didn't have to spend a certain percentage of their revenues anymore. At that point they let the utilities collect the money as they spent it. So right now in our utility bills there is not only money being collected for the current programs, there is money being collected for past programs. Right now in rates there is about \$44 million in past energy efficiency money being collected. What we had discussed through the whole Governor's process is there is past spending and current spending in rates right now of around \$81 million. I believe in July 2001, the utility companies will have collected the past expenses. Those expenses will then start falling off of bills. What we discussed in these meetings was that it would be a good time to take the whole \$81 million and place it into programs for efficiency, renewables, low-income, and weatherization. We would have funding for all these programs and consumers would not see an increase in their bill. It would be the same amount of money, just placed in different programs. Our goal was bill stability. We did not want bills to go up because of these programs. With those dollars falling off the bills this summer, it is something that would need to be discussed. If the legislature wanted to do something to capture this funding it would have to be done in this next session.

Kent McLaughlin:

That is \$44 million of the \$80 million is being collected right now out of the rates?

Lisa Davis-Cook:

\$44 million of the \$80 million is past expenses.

Howard Shapiro:

Am I understanding that there is money that could be captured for some other purpose? Isn't that money already allocated for programs that the utilities have in place?

Lisa Davis-Cook:

Not the \$44 million. The \$44 million is for the past programs.

Howard Shapiro:

But they have already spent it. It is in their balance sheet somewhere.

Lisa Davis-Cook:

It would not be taking the money away from the utilities. What I'm saying is that once the utilities have collected everything they need, they would still have that amount collected on the bills. One thing we discussed was having that \$44 million remitted to the state and having a state agency take over the program. Continue to collect it, it just wouldn't go to the utility companies it would go say... DNR, Energy Center or some entity to continue those programs. I know George sat through all that.

George VanDamme:

I can tell you I want my money back. We swallowed hard and got the rate increase four years ago. Interstate Power's past efficiency program charges will go off June or July 2001, Mid-American's will be around October 2001.

Howard Shapiro:

In principle it sounds like you are talking about essentially turning what was a charge that had to be spent for a particular purpose by utilities to a tax of some sort.

Lisa Davis-Cook:

That is what some people might call it. Some states call it a systems benefit fund. It has gone along with deregulation.

Howard Shapiro:

But it would come to the state?

Lisa Davis-Cook:

Yes, that is one idea.

Lana Ross:

You were just saying there is \$81 million, \$44 million is paying off the past debt that was incurred in doing some of the programs that were offered. The rest is going for current energy efficiency programs. That part of the money would continue to be collected to focus on energy efficiency and the remaining \$44 million could be used for other things.

Howard Shapiro:

I'm still unclear then. The \$44 million is already in the utility balance sheet. If we don't collect it...

Joan Conrad:

The \$44 million is being collected to pay back utilities for past energy efficiency programs. They will have been repaid by October 2001. At that point we would stop collecting the \$44 million because the utilities would have already been repaid. So that amount of collections would go away.

Lana Ross:

But you would continue to collect the rest?

Joan Conrad:

You would continue collecting for the current energy efficiency programs.

George VanDamme:

There are significant allocation problems with these funds. Industry and customers of investor-owned utilities pay most of them. All of the consumer-owned utility customers are basically not paying any part of the \$44 million or may be in it for about \$3 million. Only 74% of the customers in Iowa would be charged for the benefits. There are two misallocations. Who was paying the \$44 million of the customer groups? I believe it was the industrial customers. Most of it is load control programs. I would hazard a guess that if you take some of the load control programs away our load will dramatically increase.

Eric Fisher:

Do we have specific figures on that? I have not studied the particular issue, but it might be a good idea to see specifically what that allocation is and have information provided to us so that we may reach an informed decision on it.

Lisa Davis-Cook:

But the good thing, too, is if there are misallocations the way it is done now, moving forward, if we want to do something different, we could fix those types of problems.

Roger Amhof:

If I understand correctly, we are spending \$37 million annually on these programs today; \$44 million is essentially paying back a loan we got from the investor owned utilities which is completed next year. You are suggesting more than doubling the expenditures on efficiency programs.

Lisa Davis-Cook:

We talked about not only doing energy efficiency programs but adding in other programs like the low-income weatherization and bill assistance programs, similar to the programs Jerry McKim talked about, because there is no state money in that. So, within the \$81 million we had a whole list of different programs the group talked about.

Roger Amhof:

To me that is a \$44 million tax increase. I can't really see it any other way. We are paying off a debt, a loan that essentially came from the investor-owned utilities. We have gone through this period of several years collecting this money from the customers to pay off this debt. Now we are asking customers to continue paying on a debt that has been repaid. That is a tax increase if you are going to continue paying for something that no longer exists. You are just funneling money to a different purpose.

Lana Ross:

It wouldn't be continuing to pay off a debt it would be used for a different purpose.

Howard Shapiro:

I think there are several big picture items here. One of them is that process which was started in 1990 through legislation that had a particular purpose; a philosophical base and a political base. We are talking about changing that. I think we need to understand very clearly how all this has evolved before we could come up with a recommendation whether we would want to fund state efficiency activities through a utility charge, or whether we want to recommend doing it a different way.

Roger Amhof:

I would deal with it as two different issues. One was debt repayment. Now we are talking about something else. I think one thing ends and maybe another thing begins. They are really two separate issues.

Howard Shapiro:

We may come to the conclusion to ask rate payers to pay for certain types of efficiency programs. I'm not saying we will or won't. I'll come back to my earlier comment that we are not ready to talk about solutions like this until we clarify the problem we are going to try and solve.

Lisa Davis-Cook:

The reason I bring up the past costs and current cost, was because of the big concern through the deregulation meetings regarding rate stabilization. If we are going to do these sorts of public benefit programs we wanted to keep rates stable. If we stayed at that same funding level, it would keep the rates at the same place and we wouldn't see huge increases because of these programs. I think it would be very beneficial to have someone explain the past and present, and where this all comes from.

Don Wiley:

I think one idea that is important is the education of our citizens. We not only have weatherization for low-income but we have weatherization for everyone through these program. If you are in a town

with a locally owned utility, you're not going to receive that information on energy efficiency, if you're 10 miles away, you can. We got a real difference in what is available to different people in the state, depending on where they live. There is a big difference between the low-income weatherization programs, and the programs that are offered to others. With investor-owned utility programs, customers have to use a certified contractor and somebody comes out and inspects what is done. There is a check back to make sure you are spending the money to put insulation in this house and replace the furnace that is needed by one that falls within certain guidelines. I've seen low-income weatherization programs that, in most cases the contractors are not standard contractors, they are a little less. In many instances they have actually done damage. We want to make sure when we are spending money that we are getting the best bang for our buck. There is a difference how the programs are administered. I think all the programs are good. I agree with Howard, I think we need to look at what the programs are doing, how the programs are funded and who is receiving those funds. It wouldn't hurt to keep the rates the same but people need to know they are paying for it. They need to be concerned about this problem. I'm not sure how knowledgeable the people in the state are regarding these programs.

Lana Ross:

I know that the weatherization programs do provide savings to the households involved. We do have an average dollar amount that is saved through that program. It is a program that saves money.

Don Wiley:

In many cases it is very difficult to find somebody to go out and actually do it. Then you have to have good follow through to make sure we are getting good things. We have a lot more weatherization going on than just low-income weatherization and that is also helpful in the long run.

David Hurd:

Listening to the discussion, I think it is overwhelmingly evident that this group would not be able to prepare a detailed legislative proposal over the next 30 days. If we are going to offer suggestions to the Governor and Legislature for action in this next session, it will need to be in general terms. Such as, what goals we think should get attention in the short term, and indicating possible sources of funding. Then we should leave it up to the Legislature to do the in-depth study and reach conclusions as to what can be done. The thought that over the next 30 days we can become knowledgeable enough to write a bill to go before the Legislature is just not going to happen. One thing we might do is see if we have any consensus on some broad themes we would like to suggest.

Kent McLaughlin:

In pouring over my notes and information from the last meeting a couple of things stood out. In the letter we received from the Governor and what we heard from him in the last meeting, the number one concern is that we do not have an adequate energy supply for the future. We now know that there is this \$44 million coming up that will be falling off the rates, so to speak. One of the things we might be able to suggest is to put together a package to hold the rates down. I don't think we all will be able to sit here and say it all needs to go to efficiency, business or low-income. I think the biggest challenge we will have is deciding what to do with the money that is out there, how we want to spend this or do we give the money back in some way. It is going to require a compromise from each one of us to figure out a way to do it. There is not going to be a way to put a specific recommendation together within 30 days. I think we can come up with some generalities. Without further information from our resources, I don't see how we can begin to allocate.

Eric Fisher:

I agree with Kent McLaughlin. One thing that fits into this is how to introduce new energy production into Iowa, what type of new energy generation can be introduced into Iowa in order to help with the problems we have now.

Don Wiley:

David, you brought up the Legislature and the legislative system. What is the process, contacts and liaisons that we send our comments to the Legislature? One thing I assume we all agree on is that there is going to be a crisis for a lot of low-income people. We could advocate that helping low-income families is one of our first concerns. That would let them know we are here and where we are going. I just want to make sure when we are working with this Task Force and we get done, the answer will be going to the Legislature, too.

David Hurd:

Anything we come up with will be given to the Governor. The Governor and his staff will worry about dealing with the Legislature. If we were to say we have a deep concern about the rising energy costs for the lower income people and we think there should be more resources devoted to trying to help them, we could mention some possible sources, but not on the basis that we have studied this and have selected this one as the best way to pay it off. This way we could be clear on what we meant, but leave it to others to develop the details on how to accomplish it.

Don Wiley:

I would think that would give our Task Force a little more validity as we go forward. We don't want to recommend something quickly without examining the loop holes. There is nothing wrong with identifying the problem without a solution. Like you said last week, we need to be more worried about effectiveness than efficiency. I think that was a good statement.

Howard Shapiro:

Let me understand something you just said. We are obviously appointed by the Governor. There have been several other high profile Task Forces appointed by the Governor. We really report to the Governor, but don't we also report to the State. It seems to me that if we make some statements, hopefully they can influence the Legislature.

David Hurd:

I think any recommendations we make will get publicity. Does anyone want to succinctly write the recommendation we want to make? We have covered a lot of ground here. Don, you said we are aware that we have this low-income problem in paying for energy costs. It has been bad and it is going to get worse this next year. Is that something you think we ought to make a general recommendation on because of the upcoming increase in energy costs, that we think the state needs to put more resources into energy assistance for low-income families?

Don Wiley:

I think so. We would at least be saying that this is a concern of the Task Force that we are very worried about and agree upon it. The Legislature needs to be aware of that in order to look at it. But we should not go as far as to recommend how much to spend, or where those resources come from. We might be ready to some time, but not yet. I am very comfortable in recommending low-income assistance to the Governor and the Legislature.

George VanDamme:

I think the low-income issue needs to be addressed. I can support that comment. I would let the Legislature find the money. The State has a windfall of cash coming from the sales tax. You need legislation to direct it to go somewhere, but at least it would be going to help someone.

Don Wiley:

It is probably the only fire we can try and put out now. The others are a little bigger than that. This one is coming up real quick and we would be expressing a concern of the Task Force that it be addressed and looked into as best they know how to do, with the resources they have.

Howard Shapiro:

I think that we could address the problem of supply, which is driving the costs. The supply will be there, but it's a question of how much it is going to cost people to use it. We can direct the resources to the people that will be most affected with the higher costs. In the short run, we should do everything we can do about the supply issue.

David Hurd:

Assume for the moment that between now and the next meeting we need to write up a short statement on this and any other recommendations we come up with. Then the Task Force can look at the recommendations and decide yes or no in support of it. We can have something in writing to look at. Are there topics other than this one of low-income and their heating bills that you can think of? Are there other elements you think we should give similar comment or direction to the Governor?

Roger Amhof:

I have a question as to how the people are selected to receive low-income assistance.

Joyce Mercier:

They apply for the assistance. People who have had assistance previously are given priority when they come in to apply, as long as they are income eligible.

Lana Ross:

The selections are based on circumstances of the family, elderly, handicapped and families with children. All of that goes into a formula to determine whether they are eligible or not.

George VanDamme:

The money we have been talking about funding these programs does not come uniformly from everyone across the state. The municipalities and RECs do not participate. It is strictly the IOUs that are paying that fund. To use funds from IOUs to allocate uniformly across the state, doesn't seem quite fair to me. You are putting the burden on 74% of the customers to try and provide an energy assistance program to theoretically 100% of the population.

Lisa Davis Cook:

I really would like to have a presentation given to the Task Force about what was discussed about this funding for low-income and energy efficiency and renewable energy through the Governor's deregulation meetings last year. We had some very specific legislative language put together. It would be good information for the Task Force to have in order to see allocating where the money goes, where the money comes from, how it is collected.

Howard Shapiro:

I am still concerned that we are getting too specific. I think we need to look at issues in broader terms. We are already talking about what was happening last year in a particular set of legislative recommendations, and we are still not getting a collective understanding what the history of this issue is--how it has played out in the state of Iowa for the last 10-15 years. I need that. I was heavily involved in the early 1990s in the legislative process, but for the last 5 years I know only what I read in the papers. I am afraid that that might not be enough. I think we need to work together as a group to learn more about this and not have particular presentations on items like that yet. I am still thinking in general terms.

Lana Ross:

I think the confusion is that we were charged with coming up with both short-term and long-term goals. It is because of the urgency of the short-term goals we tend to look at things we already know. There is a deadline and if we don't do something, then we are not responding to the challenge from the Governor to address both the short-term and the long-term goals.

Eric Fisher:

The short term means specifically this legislative session?

Joyce Mercier:

It was my understanding when we first started this that we would generally say we had some certain concerns and that we would leave it to the Legislature to find funding.

Dave Hurd:

We could choose either to list some things that would be possible funding sources or we could choose not to list them. It would be a good idea to put this in writing for us to look at it and see what we might choose to do.

Don Wiley:

I would have no problem in providing some written alternatives. George has come up with one. As long as we are not saying that we recommend that we take this \$44 million, I personally don't have ability to recommend that. I do have the ability to say that I think the Legislature needs to be aware that we are going to probably have some tough problems ahead for some folks this year and we need to be prepared with some assistance. We can put together some alternatives for low-income programs.

David Hurd:

Will you try and put that on paper for next time?

Don Wiley:

Would it be appropriate to try and write that out and e-mail that to a central source? It would still take awhile to get through. It would be helpful if we all come in with a copy so that we can get our thoughts on paper before discussing the issue.

Dave Hurd:

That is a good idea. Let's assume we are going to try and express something on the energy assistance for low-income people. Send in what you think it should be to Lee and I. We will then try and put that together into a consensus statement to take a look at. Also, let Lee and I know of any additional items of short-term recommendations. If we get several comments on the same point we will place that item on the table.

Lee Clancey:

I would like to take a few minutes to see what other topics there might be.

Lisa Davis-Cook:

I would like to recommend that there be continued funding in energy efficiency and renewable energy programs.

George VanDamme:

I would like the Iowa Utilities Board to see what data they have to answer these questions when we are talking about funding an ongoing study. There is a study on energy efficiency potential which is supposed to be completed within several months, which the Iowa Utilities Board and Iowa Energy Center have funded. I would like to see that information.

Lana Ross:

In the response to comments we had about weatherization, if it is true that it takes awhile to get that program started, that may be something we want to include in the short term as well. We see a need for funding weatherization so that we can begin to take steps necessary to meet the demand of the long-term funding required of the department.

David Hurd:

I think the point that Jerry McKim made was that what was needed, above all, was a certain level of funding that was going to go on over time so you could plan to do work based on that. To try and gear up and shut down was a very ineffective process.

Lisa Davis-Cook:

Do we want the low-income recommendation to be specific to weatherization or just low-income assistance in general. I know a portion of it is weatherization but a portion of it is also bill assistance.

David Hurd:

I think we are talking bill assistance because that is one thing we can really do right now.

Lana Ross:

Including something in there about weatherization would allow us to take the steps necessary to be able to respond in the long term. I think the Department of Human Rights would need some notice in order to get going.

Don Wiley:

Is anybody aware of any other things that would be coming up? This energy efficiency study you're talking about seems like it is funded. Is there anything that is not funded, or is it going to be a question of funds, that we need to be addressing or not?

George VanDamme:

Maybe the utilities have this, but when you are talking about transmission and generation reliability, the Iowa Utilities Board and Consumer Advocate should know all these answers and have this already. Do we need to direct them to do a study to find out what has to be done? We put a lot of windmills in northwestern Iowa. It is also my understanding that transmission capacity in that area is in trouble now. It was not sized to have that much load. This is not just Iowa, it is the whole US infrastructure. It is not sized to meet the economic growth that has happened. We either need to fix it

now or some time in the very near future. The most important thing, I think, is reliability. If the utilities and the state agencies can't answer these questions, maybe we need an independent answer.

David Hurd:

Please draft a short recommendation for us on that issue.

Eric Fisher:

We will help out on that as well. That is a concern of ours also. We think it is an important issue to address. We may differ in that we believe that we have to fund a comprehensive study done by an independent firm, because the resources and personnel may not be adequate enough within state agencies to do the comprehensive study.

David Hurd:

I think what you work up may possibly turn out to be in the short-term recommendations and it may also be a way to start thinking and educating ourselves on the longer term.

Eric Fisher:

I think in the short term, to get the ball rolling, that there should be initial funding for a comprehensive study on reliability. That would be the short term goal. The long term goal would be to get the comprehensive study done so that decisions can be made as to what the energy future of Iowa might be.

Howard Shapiro:

For the next month, if we are going to try and accomplish something, maybe we should be thinking of something more in the reactive mode instead of the proactive mode. I wonder if we shouldn't ask staff to give us a run down of legislative issues in process--what the Governor is thinking, and what people are working on that may be coming up to the Legislature this year. We could then provide some reaction and our thoughts about those. I am not sure what is on the agenda now for the short term.

Joan Conrad:

The report from Electric Power in Iowa really does go into reliability and consumption and what our energy needs are going to look like down the road. I don't know if you're looking for recommendations. This report does not contain recommendations. I think it does give you an accurate look at energy and reliability in Iowa. If there is something you want beyond this, we would be happy to supply that. I can tell you that the Utilities Board does not have any recommendations for the upcoming legislative session. I am not aware of any in legislative committee. I think there may be some generation siting legislative out there but that does not come from the utilities board.

Lee Clancey:

I think we would be interested in any legislation that may be in the works with regard to energy regardless of where it is coming from.

Joan Conrad:

I would be happy to investigate and e-mail that information to you.

ITEM 2: DISCUSSION ON HOW WE WILL APPROACH SETTING POLICY FOR OUR FOUR GOALS AS SET OUT IN THE GOVERNOR'S CHARGE TO OUR TASK FORCE

David Hurd:

The next item on the agenda is talking about how we are going to achieve these four goals. I think we can use the outline on the agenda to approach working on the four goals.

Roger Amhof:

It looks like we have four basic areas to look at. The first thing I would like to do is prioritize them. I think we need to figure out what the bedrock issue is and work out from there.

David Hurd:

Assuming we could agree on the priorities, that would suggest the order in which we would work on these.

Roger Amhof:

Priorities and the importance of the issues--we may have to look at something as the most important priority then try and work the others into it.

Eric Fisher:

I would add a number 5 into this group which would be to ensure a reliable energy supply. I think there is a difference between adequate and reliable.

Howard Shapiro:

I think that *3--maximize energy efficiency and 4--maximize production of renewable energy* are different in character than *1--ensure adequate energy supply and 2--provide affordable energy*. I would put *5--ensure a reliable energy supply* with *1--ensure adequate energy supply*. Efficiency and production of renewable are strategies for how we can have an adequate and affordable supply. I would put those two in a different category. I guess what I'm suggesting is efficiency and renewables are more important. *3--how to maximize energy efficiency and 4--maximize production of renewable energy* are really what it is about. *1--ensure adequate energy supply and 2--providing affordable energy* happen when we figure out maximize energy efficiency and maximize production of renewable energy.

Roger Amhof:

So you are saying that efficiency and maximizing renewable energy are more important than having an adequate and reliable source?

Howard Shapiro:

No, I'm saying that having an adequate and reliable source that is affordable are the goals of what our energy system is about.

Roger Amhof:

Wouldn't you admit that we must make sure we have an adequate and reliable source then determine how we could do it more efficiently.

Howard Shapiro:

No, the opposite. I'm suggesting that in order to have a reliable supply, we have to think about how we will do that. Maximizing efficiency will result in a more reliable supply if we do it right. Maximizing production of renewable energy will lead to an affordable supply. Those are the things we need to do in order to get to *1--ensure adequate energy supply and 2--provide affordable energy*.

Diane Munns:

I think it is important that the Task Force know that the Iowa Utilities Board issued an order today to start proceedings to look at reliability in the state. One of the purposes of this inquiry is to get all the players together to talk about reliability issues. In this order we also said the information obtained in the inquiry may be of assistance to the Governor's Energy Policy Task Force in developing Iowa's energy plan. The information that we provided in the presentations from the last meeting was just a first step. This will look specifically at reliability. This is under order #NOI-00-4 titled Electric Delivery System Reliability. A copy of that order will be e-mailed to all Task Force members.

Roger Amhof:

The first issue in order of importance on my list would be, one, ensure adequate energy supply. Reliability is one of the paramount issues we need to be concerned with. When I hear things like, "we won't have enough energy for this state four years from now", is alarming to me. More so than how energy efficient it might be or how many wind turbines we have. I have a concern with relying on sources of energy that are not reliable. If 10-15% of our energy sources are from wind power and we have a very hot calm day, are we going to have to import energy from other surrounding states, or have reserve capacity in fixed power plants that we have to pay for anyway if that event occurs.

Lee Clancey:

I think the point was made previously that wind power alone is not adequate. We have to have back-up systems to some of those renewables.

Roger Amhof:

Is it efficient to have part-time power capabilities? I don't like the idea of spending money putting up wind turbines then getting part-time use for them.

John Sellers:

We are not only looking at wind power. There are other sources that are more reliable. There are emerging technologies that will also be in this arena, that are more reliable. The Department of Energy and others are seeing that renewable resources is where the potential is.

Eric Fisher:

Mixing different renewable resources increases the chances of reliability. I think it will be important to study what an energy mix would be. Exploring both traditional and renewable resources is very important.

Roger Amhof:

Investors are nervous to go out and provide funding for new power plants. I believe that is because of all the uncertainty around electric utility deregulation. They have a concern as to whether or not building capacity will be profitable. I think at some point regulators must provide a degree of certainty, so that the utilities know how to plan their futures.

Eric Fisher:

Another thought is whether giving the Utility Board additional authority to encourage development of resources within the state. An example is a plant that a Utility Board mandated be built, it was built as a merchant plant. The plant will be regulated for a period of time, then have open sales after that specified time period. It is a very creative solution that perhaps is something that could be explored.

David Hurd:

Do you think it would be of benefit to have a panel of involved individuals come in and talk to us? It may be helpful to have a discussion with those most involved with this as to where they think it's going.

Roger Amhof:

I think that would be a good idea. There is a lot of information we need from people working with these issues every day.

Howard Shapiro:

I would like to focus on energy efficiency. I believe that energy efficiency is related to supply in a very direct way. Energy efficiency means using energy as effectively as possible to accomplish a task. That has been a big strategy in the state for many years. I think we have made gains, but I think there is still tremendous opportunity out there we have not tapped. There are many cost effective things that could be done to stretch our supplies further. If we want to continue economic growth, we have to be able to meet that growth without new capacity. There are tremendous opportunities in the industrial and commercial sectors. The residential sector has decent codes in place but has not made a big in-road into building houses that are significantly more efficient. We should not turn away from new technologies, but we should take a look at what is already out there.

Lee Clancey

The issue of energy intensity was brought up in a previous presentation on how far behind Iowa seems to be with regard to energy efficiency compared to surrounding states.

Monica Stone:

We do not know conclusively why that is. We have an agriculturally based economy, which is energy intensive, however, most states surrounding us have economies which are also agriculturally based. Other people have suggested it is a transportation-related issue. We have more miles of roads than the states around us, therefore we may drive longer distances. However, when we look at the transportation sector for the state, that does not account for the discrepancy. I think any number of conclusions could be drawn.

Roger Amhof:

Do we have this segmented into different sectors in order to compare with other states? It seems that we should be able to identify more closely those problem other than on a statewide basis.

Lee Clancey:

Without information about what other states are doing to encourage energy efficiency, we don't know why they have lower energy intensities than we have.

Roger Amhof:

This really needs to be broken down into smaller sectors in order to determine where the problem is coming from.

John Sellers:

Do we have access to any other state's information?

Monica Stone:

We can gather more information about any state programs you are interested in order to learn about those programs and how they are operated. Give me a list of the states you are interested in and I will gather this information.

Don Wiley:

It would seem to me as far as a priority of those five, I would visualize it would be concurrent. If we achieve #3 and #4, we should achieve #1 and #2 as a result. But if #3 and #4 take 10-year programs before we are up and going in good strength, we want to make sure that we have taken care of industry and residences while we are having a longer range program for more renewables and efficiency. If we don't have adequate energy in two to three years time, our long-range plan will go to short-range planning in order to have energy. I would think we would want to have adequate energy that people can afford so that we don't have an economic slowdown. But, while working on #1 and #2, we still need to work on #3 and #4 which is where the final solution lies.

David Hurd:

We may have to deal with the four as a package rather than separating them out.

Don Wiley:

I would think they would have to be done as a package.

Howard Shapiro:

I think #3 is a short-term and a long-term thing. There are things we could do right away, but we just are not doing them. They will have the biggest payoff on the supply side if we would start doing more of those right away.

Lee Clancey:

What do we need to do in order to make people more aware of the need for energy efficiency in buildings?

Lisa Davis-Cook:

A good thing to look at would be what energy efficiency programs that are out there right now, what is being done in the state. I would guess that the Department of Natural Resources or Iowa Utilities Board have some ideas where the inefficiencies are in those programs. We can look at what programs are out there and where the gaps are in those programs.

Don Wiley:

I think it is a matter of explaining to all the different entities that there is a payback. When you show what can be achieved in savings, it is not that difficult to convince them to do it. At the same time we need to make sure we are not out of line with what we are requiring compared to the other states around. We will be in competition with the other states. If we increase our construction costs without some payback we will see some loss. It has to be a concerted effort.

Eric Fisher:

Are there specialists within the construction industry that deal with energy efficiency? Could we have one of them address the Task Force?

Don Wiley:

Our infrastructure of facilities here in Iowa is not on the cutting edge. The only energy audit you have to submit with your plans is one that is mandated by the state and usually is filed. If we examine

more urban areas in surrounding states, you will see more attention paid to the energy audit of the plans. To my knowledge there is not anyone here in Iowa that must follow through.

David Hurd:

I have heard several things in the last few minutes that the Task Force would like more information on. One is to have the utilities and Utilities Board come in and talk to us about capacity and their thoughts about it. Second would be a historical look at efficiency programs. Third is the issue of why Iowa is behind on energy efficiency. Does anyone else have any suggestions as to what we might do to find out why Iowa is behind in energy efficiency? Without knowing that, I am not sure how effective the solutions will be.

Howard Shapiro:

One thing we could look at would be the potential for improvement. If there are things that have high potential for efficiency, and we do them, we know we would improve. We need to look to other people for ideas. There may be ideas we are not thinking of.

Lana Ross:

In the updated spreadsheet we received, it does not explain what the states are doing for efficiency. Monica, do you think we could get that information?

Monica Stone:

If you will get me a list of what states you are interested in I will gather that information.

Lee Clancey:

I would be interested in learning about states similar to ours in terms of balance between agricultural and industry, weather and geographic conditions. Also any states that are considered model programs would be something to look at.

Eric Fisher:

You mentioned having the Iowa Utilities Board and utilities address the board. Maybe next time we can list a few other groups that also may have other ideas that may be of interest to the Task Force.

John Sellers:

Folks that think a little outside the box would be helpful. I would like to see some different thinking.

Howard Shapiro:

I would like to bring in someone from the Iowa Energy Center. They have a nine-year history of working with these issues.

Lisa Davis-Cook:

There is also a group called the Iowa Renewable Energy Association (IRENEW). They could talk to us about what is being done with renewables in the state.

Howard Shapiro:

The Iowa Association for Energy Efficiency...

David Hurd:

We may have some of them do a presentation, others may just send in information we request from them. There is a possibility to do these presentations over a number of meetings. I think we are still in the information-gathering stage. We may be in this stage for a period of two months. We may not

like that, but we need to have the knowledge to think clearly on these issues. It may be after the first of the year before we get beyond this information-gathering stage.

Kent McLaughlin:

Is this December 1 date to try and have recommendations to the Legislature come from the Governor's office?

David Hurd:

Yes, that is from the Governor's office. In this period between now and our next meeting on November 14, Task Force members should send to Lee and I what you think should be on that list, and we will try and get it organized and put it back in front of you on November 14. I would hope in the first portion of that meeting we should get that job done. For each item on that list we should have a comment prioritizing it in relation to the others in order to give the Governor some indication of where our priorities are. Look to staff to get data backing up those suggestions. I think we are going to need a couple more meetings after November 14 to gather information.

Roger Amhof:

I noticed that the discussion has been surrounding electricity for the most part. Shouldn't we be giving consideration to other sources of energy as well? Electricity is really the conversion of another source of energy to electrical power. A consideration of what those other energy sources are, their availability, and what their efficiency is, are important.

Howard Shapiro:

I think we need to do that. We need to consider all fuels. We have to be careful to make sure and understand that there are different energy technologies. We have to also realize that electricity is not the primary source of energy. There are clean coal technologies, other resource technologies and end-use technologies. We have to look at this in a broad sense because the strategies are going to depend on a mix of all those things.

Lisa Davis-Cook:

In looking at the four goals--I wondered if we could address each of those goals, then list who could talk to us about each goal.

Lee Clancey:

The requests for information you all have made fit pretty nicely into that order. Depending on if you want to do them in some priority order.

David Hurd:

I vote for getting the information on the capacity issue.

Lee Clancey:

The first part of the next meeting will be a continuing discussion of recommendation for the 2001 Legislature. The second part of that meeting we will put together a panel of experts to give us information on how we can ensure a future adequate, reliable energy supply, including both traditional and renewable resources.

TASKFORCE DISCUSSION:

Time frame and presentations for the November 14 meeting. Setting of date for another task force meeting. Decision for next meeting to be held Monday, November 27, 10:00 a.m. – 2:00 p.m.

MEETING ADJOURNED 3:30 PM.